

Message Text

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P R 022124Z PEB 78
FM SECSTATE WASHDC
TO AMEMBASSY KUWAIT PRIORITY
INFO AMEMBASSY AMMAN
AMEMBASSY JIDDA
AMEMBASSY TUNIS

C O N F I D E N T I A L STATE 028371

E.O. 11652: N/A

TAGS: BENC, ETEL, KU

SUBJECT: ARABSAT CONSULTING CONTRACT

REFERENCES: (A) 77STATE 28422, (B) 77 MANAMA 1171

1. KENNETH MANNING OF COMSAT GENERAL, CALLED ON STATE AND COMMERCE OFFICERS TO DISCUSS HIS FIRM'S EFFORTS TO WIN CONSULTING CONTRACT FOR ARABSAT PROJECT AND TO ASK FOR ASSISTANCE AND ADVICE IN WINNING KUWAITI SUPPORT FOR SELECTION OF U.S. FIRM.

2. FOLLOWING IS REVIEW OF STATUS OF PROJECT FOR EMBASSY'S INFORMATION. ARABSAT IS NAME OF SPACE COMMUNICATION PROJECT ORGANIZED UNDER AUSPICES OF ARAB LEAGUE. MEMBER-CONFIDENTIAL

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SHIP IS FROM 21 ARAB COUNTRIES WITH NINE ON BOARD OF DIRECTORS. FAISAL ZAIDAN, DEPUTY MINISTER OF PTT IN SAUDI

ARABIA, IS CHAIRMAN, AND KUWAIT HAS SEAT ON BOARD OF DIRECTORS, REPRESENTED BY ABDULLAH AL-SABEJ, ASSISTANT UNDERSECRETARY AND CHIEF ENGINEER OF MINISTRY OF COMMUNI-

CATIONS. CONSULTANCY PROJECT FOR WHICH COMSAT GENERAL IS
COMPETING IS THREE-STAGE, FIVE-YEAR CONTRACT COVERING
SYSTEM DESIGN, PRELIMINARY SPECIFICATIONS, IMPLEMENTATION,

MONITORING OF CONSTRUCTION, MONITORING OF EQUIPMENT
SUPPLY, AND OPERATION.

3. MANNING SAID COMSAT GENERAL HAS HELD EXTENSIVE TALKS
WITH INDIVIDUALS INVOLVED IN PROJECT OVER THE PAST YEAR
AND IN LATE 1977 HE VISITED KUWAIT, WITH COMSAT GENERAL'S
BOARD CHAIRMAN, HEADING THREE-MAN COMPANY DELEGATION.
GROUP WAS CORDIALLY RECEIVED BY MINISTRY OF COMMUNICA-
TIONS UNDERSECRETARY ABDULRAHMAN AL-GHUNAIM. MANNING
SAYS THAT WHEN DELEGATION ASKED TO SEE AL-SABEJ, THEY
WERE "REFUSED" AN APPOINTMENT, ALTHOUGH THEY HAD CONTACTED
HIM SEVERAL WEEKS BEFORE. MANNING SAYS AL-SABEJ'S REFUSAL
OF APPOINTMENT CONFIRMS INFORMATION RECEIVED FROM OTHER
ARAB OFFICIALS INVOLVED WITH PROJECT, NAMELY THAT KUWAIT,
BECAUSE OF AL-SABEJ, IS HOSTILE TO COMSAT GENERAL.

4. ACCORDING TO MANNING, COMSAT GENERAL, WHICH IS SUB-
SIDIARY OF COMMUNICATIONS SATELLITE CORPORATION, IS ONE
OF THREE FINALISTS FOR CONSULTING CONTRACT. OTHER
COMPETITORS ARE TELESAT CANADA/CABLE AND WIRELESS (U.K.)
AND THE ARAB EUROPEAN AMERICAN CONSULTING GROUP.
THE AMERICAN PARTNER IN THIS GROUP IS WASHINGTON, D.C.-
BASED TELECONSULT, WHICH HAS 24 PERCENT OF THE INVESTMENT
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IN THE GROUP AND ACTS AS MANAGER; OTHER INTERESTS ARE
FRENCH (52 PERCENT) AND ITALIAN (24 PERCENT).
KUWAIT IS ONE OF FOUR COUNTRIES WHICH ARE TO NEGOTIATE
IN KUWAIT IN MID-FEBRUARY WITH THESE THREE FINALISTS.
OTHER COUNTRIES ARE SAUDI ARABIA, JORDAN AND TUNISIA.
MANNING SAYS THAT DESPITE OVERALL HIGH MARKS HIS COMPANY
HAS BEEN GIVEN FROM OFFICIALS OF OTHER ARAB COUNTRIES IN
PRELIMINARY DISCUSSIONS, COMSAT GENERAL'S CHANCES MAY BE
SERIOUSLY HURT BY OPPOSITION OF KUWAIT/AL-SABEJ. HE CITES
FOLLOWING AS POSSIBLE REASONS FOR SUCH OPPOSITION:

A) KUWAIT IS MIFFED THAT RIYADH, NOT KUWAIT CITY, WAS
SELECTED AS SITE FOR ARABSAT CONTROL STATION AND FEELS
SAUDI ARABIA IS CHAMPIONING COMSAT GENERAL.

B) AL-SABEJ HAS SOME TYPE OF RELATIONSHIP WITH COMMERCIAL
AGENT WHICH WOULD ENABLE HIM TO BENEFIT FROM SALE OF
EQUIPMENT OR SERVICES TO PROJECT.

C) GOK OFFICIAL SENIOR TO AL-SABEJ IS, FOR SOME UNKNOWN
REASON, OPPOSED TO COMSAT GENERAL AND OR U.S. INVOLVEMENT.

5. ACTION REQUESTED: COMSAT GENERAL HAS ASKED FOR
EMBASSY ASSISTANCE INCLUDING PRESENTATION BY AMBASSADOR

TO MINISTER OF COMMUNICATIONS, IF NECESSARY, TO BACK
COMPANY'S BID FOR CONTRACT. HOWEVER, USDOC AND DEPARTMENT
WOULD PREFER TO HEAR EMBASSY'S ASSESSMENT OF SITUATION
AND ADVICE BEFORE TAKING THIS STEP. IMPORTANT FACTOR
HERE IS THAT ANOTHER U.S. FIRM, TELECONSULT, IS IN
COMPETITION WITH COMSAT GENERAL. WHILE TELECONSULT HAS
NOT REPEAT NOT ASKED FOR USG ASSISTANCE AND IT IS A
PART OF COMPETING CONSORTIUM INVOLVING NON-U.S.G. FIRMS,
U.S.G. CANNOT REPEAT NOT FAVOR ONE U.S. FIRM OVER ANOTHER.
THIS HAS BEEN EXPLAINED TO COMSAT GENERAL ON SEVERAL
OCCASIONS. REQUEST EMBASSY KUWAIT SUPPLY WHATEVER
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INFORMATION IS AVAILABLE ON PROJECT AND ADVISE ON BEST
PROCEDURES FOR GAINING KUWAITI SUPPORT FOR U.S. PARTICI-
PATION IN ARABSAT PROJECT. WOULD ALSO APPRECIATE
EMBASSY'S ASSESSMENT OF KUWAITI OPPOSITION TO U.S. FIRM
AS DESCRIBED BY MANNING.

6. REFTELS REFER TO PREVIOUS CABLES ON SUBJECT FOR WHICH
KUWAIT WAS ADDRESSEE. FOR ADDITIONAL BACKGROUND, DEPART-
MENT IS REPEATING STATE 271718 AND JIDDA 7807 (BOTH 77).

7. ACTION ADDRESSEE FOR PROJECT WILL BE USDOC/CAGNE.
VANCE

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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